



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Berkshire Hathaway FY 2024 Results

Share Price	US\$502.31
Fair Value Range	US\$505.35 – US\$558.55
Date	28 February 2025

RESULTS SUMMARY

Berkshire Hathaway delivered strong financial performance in 2024. The results reflect an improved performance across insurance, railroad, and manufacturing segments, as well as significant pre-tax investment gains. It must be remembered that these results are heavily influenced by market fluctuations that impact on the value of the underlying equity portfolio.

The insurance segment continued to be a key earnings driver, with underwriting profits growing across GEICO, Berkshire Hathaway Primary Group, and Berkshire Hathaway Reinsurance Group. Investment income from the insurance division also rose sharply, supported by higher interest rates and increased equity investments. Other segments, such as energy and railroad, delivered stable results, although Burlington Northern Santa Fe (BNSF) faced volume declines due to soft economic conditions.

Berkshire Hathaway's financial strength remains robust, with significant liquidity and a fortress balance sheet. The company's investment portfolio, valued at approximately \$271.6 billion, saw notable shifts, including changes in holdings of equity securities like Apple and Occidental Petroleum. Warren Buffett emphasised in his annual letter that while Berkshire remains disciplined in capital allocation, the opportunities for large-scale acquisitions remain limited due to high valuations.

OUR LONG-TERM INVESTMENT VIEW

- Berkshire is a diversified group including insurance, railroad, energy, manufacturing and other consumer services. Each industry will likely benefit from a strong US macro environment
- Berkshire's operating businesses are managed on a decentralised basis, allowing management to take ownership of their business, with very few centralised business functions. This provides a level of autonomy that we believe is important in an investment holding business.
- Berkshire has a reputation for increasing its commercial value, and the group's competitive advantages across its insurance and non-insurance businesses will continue to drive long-term, sustainable growth, regardless of any acquisitions completed in the future.
- The group's substantial cash reserves should further support growth by enabling bolt-on and large acquisitions as well as continued investment in its equity investment portfolio, although activity in this regard is expected to be limited given market valuations.

UNPACKING THE FY 2024 RESULTS

High-level numbers

- Berkshire Hathaway reported **total revenue** of \$371.4 billion in 2024, reflecting steady growth from \$364.5 billion in 2023. The insurance segment contributed \$105.1 billion, benefiting from strong underwriting results and higher investment income. Other major revenue drivers included BNSF (\$26.3 billion), Berkshire Hathaway Energy (\$26.3 billion), and Pilot Travel Centers (\$46.9 billion), though the latter saw a decline due to fuel price volatility.
- **Operating earnings** rose to \$53.9 billion in 2024, a 23.6% increase from \$43.6 billion in 2023. This growth was driven primarily by insurance underwriting profits (\$11.4 billion) and

Overview of Results from Operations

- Berkshire's **insurance** business, including GEICO, Berkshire Hathaway Primary Group, and Reinsurance Group, produced strong underwriting profits of \$11.4 billion, reflecting improved pricing and risk management. Investment income surged to \$16.7 billion, supported by higher interest rates.
- **BNSF** faced revenue pressure, reporting lower operating revenues from agricultural and coal shipments due to softer demand. Total expenses declined slightly, but fuel costs and labor expenses remained elevated.
- **Berkshire Hathaway Energy** delivered stable earnings, with revenue of \$26.3 billion. While

investment income (\$16.7 billion). While railroad and energy segments showed stability, manufacturing and retailing faced cost pressures that tempered earnings growth.

- Berkshire ended 2024 with a record \$334.2 billion in **cash reserves**. This reflects disciplined capital management and a cautious approach to large-scale acquisitions. Buffett noted that while Berkshire remains open to deploying capital, high valuations have limited attractive opportunities.

Overview of Equity Investment Portfolio

- Berkshire's equity portfolio remained concentrated, with approximately 71% of its holdings in five major companies. The fair value of its total equity holdings was \$271.6 billion as of year-end 2024, reflecting market fluctuations and select divestitures.
- The company continued reducing its stake in some public equities while maintaining a large position in Apple, which remains its biggest holding. Other major positions include Bank of America, Coca-Cola, and American Express. Notably, its Occidental Petroleum investment grew in 2024 as Berkshire increased its ownership, though it remains below full control.
- Berkshire also executed over \$143 billion in equity sales during the year, producing taxable gains of \$101 billion, significantly higher than prior years. This strategic reallocation aligns with Buffett's capital deployment philosophy of concentrating investments in high-quality businesses while taking advantage of favourable market conditions.

renewable energy investments grew, the business faced regulatory and cost challenges that pressured margins.

- Berkshire's **manufacturing** segment, including Precision Castparts and Marmon, experienced mixed results. Aerospace demand supported revenue growth, but automotive-related businesses faced headwinds from lower volumes.
- **Retailing** revenues declined 1.2%, with Berkshire Hathaway Automotive seeing a slowdown in used car sales. Home furnishings businesses also struggled due to weaker consumer demand.
- **Pilot Travel Centers'** revenue fell to \$46.9 billion, impacted by fuel price fluctuations. McLane, a food distribution business, saw stable performance despite cost pressures.

Conclusion

Berkshire remains a stable, diversified, and well-capitalised company, making it an attractive long-term holding. Investors should focus on how capital is deployed, the insurance segment's ability to grow its float, leadership succession, and potential stock buybacks. While Berkshire may not provide the rapid growth of tech stocks, its resilience, financial conservatism, and ability to compound value over decades make it a strong defensive investment.

Berkshire Hathaway performed exceptionally well through 2024, and has continued to do so in 2025, to date. From a valuation perspective, Berkshire Hathaway trades at the lower end of our fair value range.

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